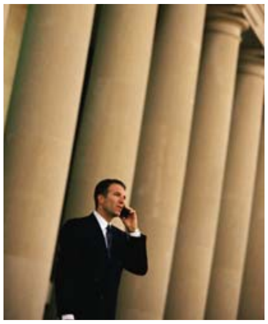

Asset Management 2008 Recap

A Look Back on a Profoundly Changing Time for the Industry

By Tony O'Shea and Michael Vosler

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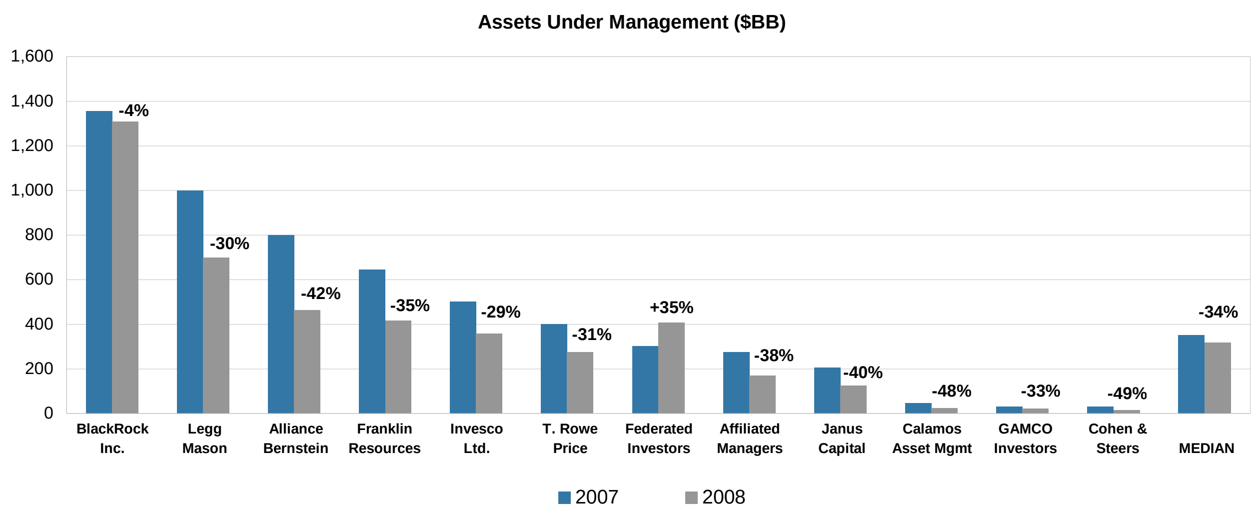
SUMMARY

While 2008 was a profoundly challenging period for the asset management industry, the impact of the stock market chaos in the latter part of the year is only partially recognized in the financials of our benchmark firms. This document summarizes public data collected for twelve asset management firms in a report titled Asset Management — Quarterly Financial Benchmarks. Notable highlights for this past year include the following:

ASSETS UNDER MANAGEMENT

Overall, our sample's median AUM change was down 34%. Of the twelve tracked firms, only one grew assets (fixed-income heavy Federated Investors was up 35%). Of the eleven firms that lost ground, BlackRock was down just 3.6%, while all of the rest shed assets in a range from 20% to just shy of 50%. Calamos and Cohen & Steers were at the most severe end of the spectrum — down 48% and 49%, respectively.

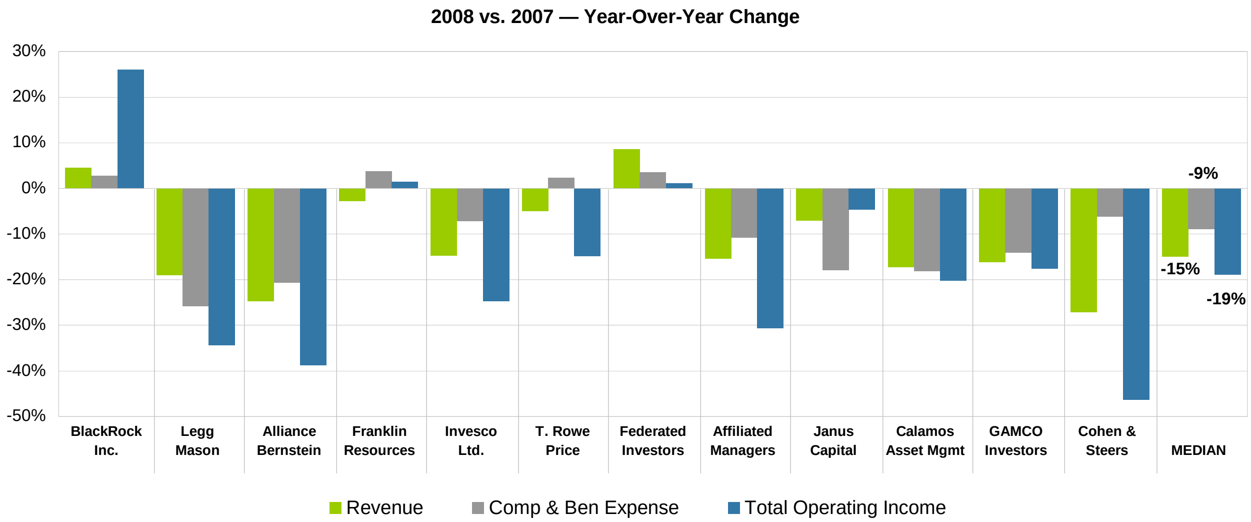


MARKET VALUE

As a group, asset management stocks performed significantly worse than the major indices, as the median move of -61% failed to keep pace with the pummeled DJIA and S&P 500 indices (down 34% and 39%, respectively).

REVENUES

As revenues are predominantly driven by management fees, declines in revenues lag asset declines. Thus, the dismal 2008 equity market performance is not fully reflected in the year-end revenue numbers but will be seen in 2009. At the median, year-to-year revenues dropped 15%. Of the 12 reporting firms, only two booked higher revenues in 2008 – Federated Investors and BlackRock (up 8.5% and 4.5%, respectively). Of the ten firms with sliding revenues, Cohen & Steers lost the most ground (down 27%).



COMPENSATION & BENEFITS EXPENSE

Not surprisingly, C&B expense was generally down for the year, although not off as much as revenues — down 9% at the median. Of the 12 firms, eight cut their 2008 C&B expense while four increased C&B slightly. Of the eight firms that cut expenses, cuts were not consistently correlated with revenue declines.

OPERATING INCOME

Only three firms advanced their 2008 operating income numbers. BlackRock was able to significantly grow earnings (up 26.1%), while Franklin Resources and Federated Investors had only marginal gains. On the negative side, Cohen & Steers suffered the worst (down 46.4%).

If you are interested in learning more about McLagan's Asset Management Quarterly Financial Benchmarks, please contact Tony O'Shea at (203) 359-2878 or toshea@mclagan.com. Tony is a Vice President at McLagan on the Asset Management team.

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